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September 10, 1996

Dear Member

Look to the future!

In a week when coach Neil Balme, leading players Garry Lyon, Jim Stynes and Todd Viney have thrown their weight behind the Board, the attitude of the Demon Alternative to you, the members, and our Club has disappointed us.

Let us address the inaccuracies they are currently promoting.

Telemarketing

When approaching our members by telephone, the Demon Alternative have said that two of our Directors are 'weakening' in their stance over the merger. Absolutely untrue.

Foundation

Joseph Gutnick's pledge to establish a special foundation has already been queried by the Australian Taxation Office and criticised as 'non-operational' by leading accountants.

Sponsorship

Effectively his support may only mean an extra $320,000 a year to the club - a gracious but medium sized sponsorship.

New Facilities

The gift of $500,000 proposed for new facilities will not give us an all year training, administration and social headquarters. It represents a fraction of the amount required to duplicate the quality of facilities available at the Glenferrie Oval.

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Junction Oval

The Demon Alternative talks about improved facilities and arrangements at the Junction Oval. The Victorian Cricket Association and the St Kilda Cricket Club are pushing for more use of the ground - not less. Agreements between the Melbourne Cricket Club/Victorian Cricket Association and Melbourne Cricket Club/St Kilda Cricket Club precludes the Melbourne Football Club from gaining additional use of the Junction Oval.

Experts

They talk about a strategic review by 'experts'. The Board has conducted several reviews and called in internationally recognised experts such as Arthur Andersen and Price Waterhouse. In light of these reviews the Board has unanimously recommended a merger with Hawthorn.

Membership

The MFC membership is at its highest level ever as is the MCC/MFC associate membership.

Roy Morgan Research (1993) for the AFL shows that Melbourne has only 113,000 *supporters* in Australia (Essendon 925,000, Collingwood 885,000). In fact, Melbourne has more ***members*** per 1,000 *supporters* than any other Victorian club.

Club Turnover

In 1995, the West Coast Eagles had a turnover of $13.3 million.

Reference to the $4 million royalty payment to the West Australian Football Commission and the subsequent reduction in its turnover is incorrect.

The Eagles made a profit of some $3.8 million in 1995 and under the terms of their agreement with the West Australian Football Commission, the Eagles pay 75 per cent of their profits to the WAFC or $2.96 million for last season.

The club retained some $933,000 of its profit from last year, which provided an operating base of $10.84 million.

There appears to be confusion with the $4 million licence fee paid by the Eagles to join the competition in 1987 which has no relevance to the issues of today.

Collingwood's turnover, excluding gaming, last season was $9.58 million.

The claim that Collingwood's turnover is $7.8 million is therefore incorrect.

Long Term Profitability

The figures quoted for AFL broadcast rights are incorrect. While the AFL cannot publicly disclose the amounts because of a confidentiality clause in its broadcast rights agreement, the figures quoted in the report are highly inflated, by tens of millions of dollars.

The new television contract between the Seven Network and the AFL which comes into effect in 1999, not 1998, will mean that each club will receive an estimated $400,000 increase in its annual distribution from the AFL.

The claim that 60 per cent of these TV rights will go to the players, thus reducing, not increasing, costs of clubs in the AFL shows a fundamental lack of understanding as to how the salary cap is set.

The salary cap is based on 60 per cent of revenues including broadcast rights, gate receipts for the premiership season and finals and club memberships.

When revenue from broadcast rights increases in 1999, there will be a corresponding increase in the salary cap. Clubs will get an increase in their annual distribution as outlined but there will also be an increase in player payments via the salary cap.

If each club receives, say, an additional $400,000 from the AFL as of 1999, such an outcome does not solve the problem of the revenue gap between the larger and small clubs.

Reference to six teams in Melbourne

Reference to six teams in Melbourne and a 12 team competition is irrelevant.

The AFL Commission has indicated on many occasions including in its five year plan, that it believes the number of Victorian based clubs will not fall to less than eight which will mean a 14 team AFL competition.

The Commission believes that less than eight clubs would have a serious impact on the fabric of Victorian football and any issues raised in relation to a 12 team competition have no foundation.

Since the introduction of the national competition, attendances at matches in Victoria have increased to the point that they are at an all time high.

The average attendance per game in Victoria in 1996 was 30,823 compared with :

21,677 in 1955
23,616 in 1965
20,877 in 1975
20,661 in 1985

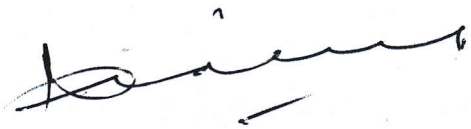
This record figure was achieved despite the reduced capacity at Optus Oval due to the construction of a new grandstand.

Melbourne Hawks

Projections indicate that the Melbourne Hawks will have net assets of approx $8.5-$9 million on commencement, a maintainable profit each year of around $3 million and the ability to battle it out with the juggernauts from interstate when they come with their open cheque books chasing Neitz, Farmer and co.

We believe we are on the verge of an exciting future for the club and have been buoyed by the support of members drawn from a cross-section of our community including former players, life members, politicians, high profile business people, media and sporting identities, some of whom are mentioned in the attachments.

Yours faithfully



I J Ridley
on behalf of ***The Board of the Melbourne Football Club***

Bill Balcam
Bill Guest
Ian Johnson
Graham Coningsby
Stephen Newport
Ian Ridley
Kevin Jones
Mark Rothfield
Sean Wight